

From: [Duncan Hamilton](#)
To: [Miller, Anna](#)
Subject: RE: Confirmation for Conference Call on Thursday
Date: Tuesday, July 24, 2018 2:03:04 PM

Hi Anna:

Realized that I did not respond to your note below and confirm a call for Wednesday at 10:00 am. Have spoken with the CEO of Energex and he would like to have 60 days to pay the outstanding bond amount if that is at all possible. We have had to infuse a significant amount of capital this spring and early summer to get the project back on production.

Regards

Duncan

From: Miller, Anna [mailto:miller.anna@epa.gov]
Sent: July 19, 2018 3:01 PM
To: Duncan Hamilton <hamiltongeologicalservices@outlook.com>
Subject: RE: Confirmation for Conference Call on Thursday

Good afternoon, Duncan:

It was good to meet with you via conference call about the Lanphar #1-12 process, and I am glad it was informative. Will Wednesday, July 25 at 10:00 am work for a follow-up call? We can call you at your number.

The following is noted from today's discussion for follow-up:

Regarding financial assurance for underground injection control wells, regulations require an applicant to provide certification that the applicant has assured through a performance bond or other appropriate means, the resources necessary to close plug or abandon the well. EPA's review found the financial assurance bond provided by Energex does not cover costs of all the wells listed on the bond (see January 26, 2018 email). The following information is from the permit application:

Lanphar Instrument:

| | |
|---|--------------------------------|
| 4 production wells @ \$20K each (State required amount) | \$ 80,000 |
| 4 production wells @ \$25K each (State required amount) | \$ 100,000 |
| Lanphar #3-12 (EPA-permitted UIC well) | \$ 72,000 |
| Lanphar #1-12 plugging cost estimate | <u>\$ 85,339</u> |
| Total financial assurance amount for plugging & abandonment | \$337,339 |
| Energex bond total (per 2/25/16 letter from Comerica Bank) | <u>\$250,801</u> (rounded) |
| Outstanding amount | \$ 86,538 |

As discussed today, Energex has a financial assurance mechanism filed with the State of Michigan.

Should Energex make changes to that financial assurance mechanism, Energex needs to provide evidence of the financial mechanism and submit another letter requesting the State-required mechanism be considered acceptable. A letter from the MDEQ verifying the financial mechanism and coverage amount would suffice as evidence. A template for the letter requesting EPA to use the State-required mechanism can be found online [here](#) . If Energex wants to set up another financial assurance mechanism outside the bond with the State, EPA will need the bond issued by the bank for that purpose, and Energex will need to set up a standby trust fund (EPA can provide a sample form for a standby trust agreement).

I hope this is helpful. I look forward to talking next week.

Anna

From: Duncan Hamilton [<mailto:hamiltongeologicalservices@outlook.com>]
Sent: Thursday, July 19, 2018 11:24 AM
To: Miller, Anna <miller.anna@epa.gov>
Subject: RE: Confirmation for Conference Call on Thursday

Hi Anna:

That was an informative conference call. I apologize for not realizing the urgency in addressing the financial assurance issue. You have put a lot of effort into this permit application and I thank you for that. I have relayed our discussion on to the key investment people at Energex and the options that we have. As I may have mentioned we have sold one of the wells on the blanket bond and they have posted the \$20,000 bond with the MDEQ. That frees up that amount which I believe can be applied to the outstanding financial assurance requested by EPA.

I look forward to our call next week and will be prepared to present the option that Energex wishes to proceed with it.

Best Regards

Duncan Hamilton

From: Miller, Anna [<mailto:miller.anna@epa.gov>]
Sent: July 17, 2018 1:55 PM
To: Duncan Hamilton <hamiltongeologicalservices@outlook.com>
Subject: Confirmation for Conference Call on Thursday

Good afternoon, Duncan:

I am confirming that we are scheduled to discuss the Lanphar #1-12 well and EPA action on July 19 at 11:00 am

Easter Standard Time and that we will contact you at the following telephone number: 226-238-0296.

Anna Miller | *UIC Branch* | *EPA Region 5* | 312-886-7060